

COMMUNITY ACTION SERVICES

FINANCIAL STATEMENTS

JUNE 30, 2005 AND 2004

COMMUNITY ACTION SERVICES

FINANCIAL STATEMENTS

JUNE 30, 2005 AND 2004

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McKELL BEETON & WINN

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Governing Board
Community Action Services
Provo, Utah

We have audited the accompanying statements of financial position of Community Action Services (a nonprofit organization) as of June 30, 2005 and 2004, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Community Action Services as of June 30, 2005 and 2004, and the changes in its net assets and cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 7, 2006 on our consideration of Community Action Services' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants for the year ended June 30, 2005. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The statement of support, revenue and expenses - budget and actual and the statement of grant revenues are presented for purposes of additional analysis and are not required parts of the financial statements of Community Action Services. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements for the year ended June 30, 2005 and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

McKell, Beeton & Winn

McKell, Beeton & Winn
Certified Public Accountants

February 7, 2006

COMMUNITY ACTION SERVICES
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2005 AND 2004

Assets:	<u>2005</u>	<u>2004</u>
Current assets		
Restricted cash (Note 1)	\$ 50,642	\$ 2,762
Funding receivable (Note 3)	232,198	286,912
Food Inventory (Note 5)	960,202	728,816
Other	7,210	17,976
Total current assets	<u>1,250,252</u>	<u>1,036,466</u>
Property and equipment (Notes 1, and 6)		
Buildings and improvements	38,715	21,351
Furniture and equipment	343,154	311,688
Less: Accumulated depreciation	<u>(272,854)</u>	<u>(248,969)</u>
Total property and equipment	<u>109,015</u>	<u>84,070</u>
Total assets	<u><u>\$ 1,359,267</u></u>	<u><u>\$ 1,120,536</u></u>
Liabilities and net assets:		
Liabilities		
Accounts payable	\$ 25,750	\$ 34,287
Accrued liabilities	91,219	78,847
Line of credit (Note 8)	109,962	134,999
Total liabilities	<u>226,931</u>	<u>248,133</u>
Net assets (Note 1):		
Unrestricted	(47,996)	(65,915)
Temporarily restricted	1,071,317	854,248
Permanently restricted	109,015	84,070
Total net assets	<u>1,132,336</u>	<u>872,403</u>
Total liabilities and net assets	<u><u>\$ 1,359,267</u></u>	<u><u>\$ 1,120,536</u></u>

See accompanying notes to financial statements

COMMUNITY ACTION SERVICES
STATEMENT OF ACTIVITIES
YEARS ENDED JUNE 30, 2005 AND 2004

	2005	2004
Changes in unrestricted net assets:		
Revenues:		
Grants	1,670,951	1,703,466
Service fees	164	-
United Way sublease	19,175	34,320
Donations	256,389	208,433
United Way	46,383	46,689
Food in-kind donations	2,647,276	2,237,966
Interest income	1,044	338
Total unrestricted revenues	<u>4,641,382</u>	<u>4,231,212</u>
Net assets released from restrictions:		
From permanently restricted net assets	23,885	21,759
From temporarily restricted net assets	851,202	797,667
Total net assets released from restrictions	<u>875,087</u>	<u>819,426</u>
Total unrestricted revenues and reclassifications	<u>5,516,469</u>	<u>5,050,638</u>
Expenses:		
Program services	5,290,380	4,826,865
Supporting services	208,170	193,404
Donations for improvements (Note 10)	-	26,924
Total expenses	<u>5,498,550</u>	<u>5,047,193</u>
Total increase (decrease) in unrestricted net assets	<u>17,919</u>	<u>3,445</u>
Changes in temporarily restricted net assets:		
Grants, service fees, interest and dues	82,517	73,480
Donations	25,552	51,952
Food bank donations (Non-cash)	960,202	728,816
Restrictions met by disbursements	(851,202)	(797,667)
Increase (decrease) in temporarily restricted net assets	<u>217,069</u>	<u>56,581</u>
Changes in permanently restricted net assets:		
Property and equipment additions	48,830	17,028
Restrictions released due to depreciation	(23,885)	(21,759)
Increase (decrease) in permanently restricted net assets	<u>24,945</u>	<u>(4,731)</u>
Increase (decrease) in net assets	259,933	55,295
Net assets at beginning of year	872,403	817,108
Net assets at end of year	<u>\$ 1,132,336</u>	<u>\$ 872,403</u>

See accompanying notes to financial statements

COMMUNITY ACTION SERVICES
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2005

	Program Services					
	Family Development	Emergency Services	Outreach	Food Bank	Heat	Housing Counseling
Salaries	\$ 150,779	\$ 63,326	\$ 73,500	\$ 201,757	\$ 134,546	\$ 88,320
Benefits	64,655	25,579	23,500	47,918	22,943	26,286
Consultants	5,200	1,200	450	2,500	1,250	1,000
Occupancy	30,492	13,381	11,800	114,415	13,392	10,181
Travel	2,623	1,200	5,200	8,429	2,967	2,872
Supplies	8,869	1,095	2,750	10,810	9,859	2,400
Repairs	1,727	1,583	750	9,645	1,245	692
Other	8,171	8,500	5,750	18,745	3,423	4,964
Contributions for Improvemen	2,197	964	850	8,245	965	734
Direct assistance	16,670	233,564	-	-	79,641	18,866
Communications	7,026	4,500	2,250	3,938	1,770	4,922
Depreciation	4,155	1,745	2,025	5,559	3,707	2,434
Food-in-kind				3,376,092		
USDA food distributions				214,938		
Totals	\$ 302,564	\$ 356,637	\$ 128,826	\$ 4,022,991	\$ 275,708	\$ 163,670

See accompanying notes to financial statements

Supporting Services					
Employment Education	Total Program	Management & General	Fundraising	Total Support Services	Total Expenses
\$ 25,500	\$ 737,728	\$ 91,525	\$ 37,550	\$ 129,075	\$ 866,803
8,500	219,381	24,700	10,150	34,850	254,231
250	11,850	1,653	-	1,653	13,503
2,500	196,161	8,500	3,500	12,000	208,161
200	23,491	8,200	-	8,200	31,691
450	36,233	2,750	750	3,500	39,733
350	15,992	550	-	550	16,542
850	50,403	11,571	-	11,571	61,974
180	14,135	613	252	865	15,000
-	348,741	-	-	-	348,741
500	24,906	2,100	250	2,350	27,256
703	20,328	2,522	1,035	3,557	23,885
	3,376,092				3,376,092
	214,938				214,938
\$ 39,983	\$ 5,290,380	\$ 154,684	\$ 53,487	\$ 208,170	\$ 5,498,550

COMMUNITY ACTION SERVICES
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2004

	Program Services					
	Family Development	Emergency Services	Outreach	Food Bank	Heat	Housing Counseling
Salaries	\$ 140,036	\$ 69,725	\$ 75,500	\$ 202,031	\$ 131,815	\$ 89,259
Benefits	61,898	25,240	25,500	51,964	21,912	18,402
Consultants	4,440	1,200	450	3,500	324	348
Occupancy	37,228	13,200	9,600	114,328	13,326	7,240
Travel	3,253	1,200	5,200	8,805	2,184	2,016
Supplies	9,223	1,500	3,162	14,570	4,671	4,562
Repairs	2,056	1,550	750	6,656	1,132	973
Other	6,335	8,500	5,750	18,454	5,182	3,451
Contributions for Improvemen	5,293	1,877	1,365	16,255	1,895	1,029
Direct assistance	24,247	258,123		9,190	77,501	25,502
Communications	8,910	4,500	2,570	6,619	2,570	5,258
Depreciation	3,568	1,777	1,924	5,148	3,359	2,275
Food-in-kind				2,920,420		
USDA food distributions				151,153		
Totals	\$ 306,487	\$ 388,391	\$ 131,771	\$ 3,529,093	\$ 265,871	\$ 160,315

See accompanying notes to financial statements

Supporting Services					
Employment Education	Total Program	Management & General	Fundraising	Total Support Services	Total Expenses
\$ 28,500	\$ 736,866	\$ 87,800	\$ 29,225	\$ 117,025	\$ 853,891
10,000	214,916	24,561	8,183	32,744	247,660
250	10,512	2,633		2,633	13,145
2,745	197,667	8,500	3,500	12,000	209,667
200	22,858	8,111		8,111	30,969
425	38,113	2,751	500	3,251	41,364
350	13,467	551		551	14,018
850	48,522	10,201		10,201	58,723
390	28,104	1,209	498	1,706	29,810
	394,563				394,563
500	30,927	2,200		2,200	33,127
726	18,777	2,237	745	2,982	21,759
	2,920,420				2,920,420
	151,153				151,153
\$ 44,937	\$ 4,826,865	\$ 150,754	\$ 42,650	\$ 193,404	\$ 5,020,269

COMMUNITY ACTION SERVICES

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2005

Cash flows from operating activities:

Change in net assets	\$ 259,933
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Depreciation	23,885
Decrease (increase) in receivables	54,714
Decrease (increase) in other assets	10,766
Decrease (increase) in food inventory	(231,386)
Increase (decrease) in accounts payable	(8,537)
Increase (decrease) in accrued liabilities	12,372
Net cash provided by operating activities	<u>121,747</u>

Cash flows from investing activities:

Acquisition of equipment	<u>(48,830)</u>
Net cash provided by investing activities	<u>(48,830)</u>

Cash flows from financing activities:

Increase (decrease) in line of credit	<u>(25,037)</u>
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Net increase (decrease) in cash and cash equivalents	47,880
Cash and cash equivalents at beginning of year	<u>2,762</u>
Cash and cash equivalents at end of year	<u>\$ 50,642</u>

See accompanying notes to financial statements

COMMUNITY ACTION SERVICES

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2004

Cash flows from operating activities:

Change in net assets	\$ 55,295
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Depreciation	21,759
Decrease (increase) in receivables	(144,066)
Decrease (increase) in other assets	(9,357)
Decrease (increase) in food inventory	(46,362)
Increase (decrease) in accounts payable	4,207
Increase (decrease) in accrued liabilities	19,175
Increase (decrease) in other liabilities	-
Loss on disposal of assets	-
Net cash provided by operating activities	<u>(99,349)</u>

Cash flows from investing activities:

Acquisition of equipment	<u>(17,028)</u>
Net cash provided by investing activities	<u>(17,028)</u>

Cash flows from financing activities:

Increase (decrease) in line of credit	<u>65,541</u>
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Net increase (decrease) in cash and cash equivalents	(50,836)
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Cash and cash equivalents at beginning of year	53,598
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Cash and cash equivalents at end of year	<u>\$ 2,762</u>
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See accompanying notes to financial statements

COMMUNITY ACTION SERVICES
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005 AND 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting & Use of Estimates

These financial statements are prepared using the accrual method of accounting. The preparation of financial statements in conformity with generally accepted accounting principles requires the use of management's estimates and assumptions - actual results could be different.

Restricted Cash

Restricted cash is reported on the balance sheet when donations are received with restrictions given by the donor on the manner the cash may be used and not all of the donation is expended by fiscal year end. All of the agency's cash at year end was restricted.

Fixed Assets

Fixed assets are carried at historical cost or, if donated, at fair market value at the date of donation. Purchases under \$500 are expensed as supplies. Depreciation is computed on a straight-line basis over three to fifteen-year estimated useful lives.

Revenue

Revenue is recognized when the donor or grantor makes a promise to give to the organization that is, in substance, unconditional. Donations or grants that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the grant or donation is recognized. All other donor, grantor or board-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, restricted net assets are reclassified to unrestricted net assets.

Compensated Absences

Regular, full-time employees are granted vacation and sick leave in varying amounts which are accumulated and paid upon employees' absences or upon separation from service. Vested or accumulated vacation that is expected to be paid is reported as an expense and a liability. No liability is recorded for non-vesting rights to personal leave.

Net Assets

In accordance with SFAS No. 116, grants and donations received are recorded as restricted support depending on the existence and/or nature of any donor restrictions. Following is a description of the three classifications of net assets:

Unrestricted net assets – includes grants and donations that are to be used for the general purposes of the agency with no donor, grantor, nor board imposed restrictions. Also included are temporarily restricted grants or donations if the restrictions are met in the same year received.

Temporarily restricted net assets – includes grants or donations received that have not yet been fully spent for the specific, restricted purpose for which they were received. Ending food bank inventory is also classified as temporarily restricted.

Permanently restricted net assets – includes all fixed assets. Permanently restricted net assets are reclassified to unrestricted net assets through depreciation.

Taxation

Community Action Services is a not-for-profit corporation created December, 1991, and is exempt from federal taxation under Internal Revenue Code Section 501(c)(3). It is also exempt from state taxes.

NOTE 2 – ECONOMIC DEPENDENCE

Community Action Services received approximately 88% of its combined cash revenues from federal, state, and local governments in the form of grants and service revenues. The organization is economically dependent on the continuation of this funding. The Agency received 35% of its total revenues (cash & non-cash) from federal, state, and local governments.

NOTE 3 – FUNDING RECEIVABLE

The funding receivable amount is made up of amounts due from various Federal and State agencies for a variety of funding as well as from United Way of Utah County. No allowance for doubtful accounts has been established.

NOTE 4 – RETIREMENT PLAN

The Agency, as authorized by the board, participates in a 403(b) retirement plan managed by Scudder Investments Services Company. Under this plan, the Organization contributed 10.5% of qualified employees' gross earnings to the plan. The employee is allowed to contribute up to 25% of compensation up to a maximum of \$13,000 in which they are immediately vested. Employees are eligible to participate after one year of full-time employment and are 100% vested in the Agency's contributions after the third year of employment. Retirement expense was \$69,037 for the year ended June 30, 2005, and \$65,433 for the year ended June 30, 2004.

NOTE 5 – FOOD PANTRY DONATION VALUATION

Community Action Services receives donations of food to be used as assistance to individuals. The donation received are valued at \$1.74 per pound. Food donations received and not given out as assistance during the year are recorded as temporarily restricted net assets at the end of the year.

Beginning food inventory	\$ 728,816
In-Kind food donations received	3,607,478
Food available to be given as assistance	4,336,294
Less food assistance given	(3,376,092)
Ending Inventory (temporarily restricted)	<u>\$ 960,202</u>

NOTE 6 – FIXED ASSETS

Changes in Fixed Assets

	Balance 6/30/04	Additions	Deletions	Balance 6/30/05
Leasehold Improvements	\$ 21,351	17,364		\$ 38,715
Furniture & Equipment	311,688	\$ 31,466		343,154
Depreciation	(248,969)	(23,885)		(272,854)
Total	<u>\$ 84,070</u>	<u>\$ 24,945</u>		<u>\$ 109,015</u>

If the agency were to sell any of the fixed assets, it would have to return the grant monies used to purchase the assets. Therefore, all assets are recorded as permanently restricted net assets.

NOTE 7 – LEASE COMMITMENTS

Community Action Services leases its building from United Way. The lease amount was reduced from \$11,440 to \$11,040 per month as of April 1, 2004. The Agency also subleases portions of the building to United Way and other agencies. The combined sublease income for the fiscal year ended June 30, 2005 was \$19,175. Lease expense for this property for the years ended June 30, 2005 and 2004, was \$132,480 and \$136,000 respectively. The lease obligation for the next five years for this lease is \$132,480 per year or \$662,400 total.

On June 30, 2005, the Agency had leases on four other satellite locations that totaled \$995 per month. One of the leases was for a partial year and the total lease expense for these satellite locations was \$11,750 for the year ended June 30, 2005 and \$8,200 for the year ended June 30, 2004. As of June 30, 2005, all of the leases for the satellite locations were month-to-month.

NOTE 8 – LINE OF CREDIT

The Agency has used and continues to use lines of credit to pay for building renovations and to cover gaps in cash flow. The agency had two lines of credit that were consolidated into a single \$150,000 line of credit as of May 28, 2004. The line is secured by the equipment and other assets of the Agency. The line is for only six months and is shown as a current liability. The interest rate for the line of credit was prime + 2% (8% at June 30, 2005). The balance on the line of credit at June 30, 2005 was \$109,962 and at June 30, 2004 was \$134,999. Interest expense for the years ended June 30, 2005 and 2004, was \$11,584 and \$7,416 respectively.

NOTE 9 – TRUST BENEFICIARY

In December, 1999, an anonymous donor transferred land valued at \$595,000 to a charitable remainder unitrust. The trust documents list Community Action Services as a beneficiary with a 25% remainder interest. The grantor of the trust will receive an 8% unitrust income each year in the form of monthly payments. Any earnings above this amount will be added to the trust principal; likewise, any earnings below 8% will reduce the trust principal. Upon the death of the survivor of the anonymous donor, 25% of the remaining trust principal will be given to the Agency. Because the actual amount of the proceeds to be received and the date they will be received are unknown, no amount of revenue pertaining to this transaction is recorded in these financial statements.

NOTE 10 – OFFICE/WAREHOUSE

As mentioned in note 7, United Way of Utah County, on behalf of Community Action Services, entered into an agreement to purchase a 36,675 square foot building to house both the warehouse and offices of Community Action Services. The sale was finalized on September 1, 2000. United Way of Utah County assumed the previous owners SBA loan and obtained two new loans. To fund the remaining portion, the Agency received \$150,000 from the LDS foundation, \$25,000 from Provo City CDBG, and \$20,000 as a donation from Novell Corporation (total down payment was \$195,000).

United Way uses the lease payments from Community Action Services to make the mortgage payments. United Way and Community also sublease portions of the building to other organizations. When the building is paid off, ownership reverts to Community Action Services.

Community Action Services completed a four-phase community capital campaign to raise the funds needed to make the major renovations and improvements needed in the building from 2000 through 2005. The money raised was given to United Way by Community Action Services and the improvements were paid for by United Way. As current title holder to the building and as the entity that directly paid for the improvements, the value of the improvements are included in United Way's financial statements. For Community Action Services, the amount given to pay for improvements for the Agency's own operations is shown on the Statement of Functional Expenses as "Contributions for improvements." The amount given to United Way for improvements necessary for the Agency to sublease to other entities is shown on the Statement of Activities as "Allocation of donations for improvements."

SUPPLEMENTAL INFORMATION

COMMUNITY ACTION SERVICES
STATEMENT OF SUPPORT, REVENUES AND EXPENSES -
BUDGET AND ACTUAL (EXCLUDES NON-CASH TRANSACTIONS)
YEAR ENDED JUNE 30, 2005

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Cash Revenues:			
Grants & service fees	\$ 1,610,893	1,537,711	\$ (73,182)
Donations	205,280	180,249	(25,031)
United Way	57,600	53,956	(3,644)
Subleases	19,175	19,175	-
Tax Rebate	158,500	158,249	(251)
Interest income	1,125	1,044	(81)
Total revenues	<u>2,052,573</u>	<u>1,950,384</u>	<u>(102,189)</u>
Cash Expenditures:			
Salaries and wages	877,889	866,803	11,087
Benefits	253,927	254,231	(304)
Consultants	15,100	13,503	1,597
Travel	38,267	31,691	6,576
Occupancy	226,135	208,161	17,974
Supplies	41,473	39,733	1,740
Communications	30,317	27,256	3,061
Equipment repairs	38,499	16,542	21,957
Renovations	40,225	15,000	25,225
Other	67,399	61,974	5,425
Direct assistance	392,876	348,741	44,135
Total expenditures	<u>2,022,107</u>	<u>1,883,635</u>	<u>138,472</u>
Excess revenues over expenses - budget basis	<u>\$ 30,466</u>	66,749	<u>\$ 36,283</u>
Less monies spend on property and equipment additions		<u>(48,830)</u>	
Increase in unrestricted net assets		<u>17,919</u>	

**COMMUNITY ACTION SERVICES
SCHEDULE OF GRANT REVENUES
YEAR ENDED JUNE 30, 2005**

Pass Through Entity/Grant

Utah State Department of Community and Economic Development:

Community Services Block Grant	\$ 613,722
HEAT	274,516
State Emergency Food Network	18,888
Homeless Trust Funds	10,000
Emergency Shelters Grant	18,000
Total Utah State Department of Community and Economic Development:	<u>935,126</u>

Department of Housing & Urban Development

Predatory Lending Counseling	8,675
HUD Housing Counseling	49,618
Special Needs Assistance Program	215,892
Total Department of Housing & Urban Development	<u>274,185</u>

Utah State Department of Workforce Services

Emergency Assistance "Z"	119,474
"Z"	23,000
Total Utah State Department of Workforce Services	<u>142,474</u>

Emergency Food and Shelter Board:

Utah County FEMA	42,577
Summit FEMA	2,061
Wasatch FEMA	6,199
Total Emergency Food and Shelter Board:	<u>50,837</u>

Utah State Department of Human Services:

TEFAP	9,410
USDA Commodities	214,938
Total Utah State Department of Human Services:	<u>224,348</u>

Provo City Redevelopment Agency:

Provo Community Development Block Grant	<u>12,316</u>
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Provo School District

24,550

City of Orem

Orem Community Development Block Grant	<u>13,000</u>
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Summit County Commission

3,919

Total Grant Revenue	1,680,754
Less Grant Monies Used To Purchase Property & Equipment	(9,803)
Grant Revenues Shown As Increase In Unrestricted Net Assets	<u>\$ 1,670,951</u>

**COMMUNITY ACTION SERVICES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2005**

Federal Grantor/Pass Through Entity/Program Title	Federal CFDA Number	Pass-Through Grantor's Contract Number	Current Period Expenditures
Department of Health and Human Services:			
Passed Through:			
Utah State Department of Community and Economic Development:			
Community Services Block Grant	93.569	05-1312	\$ 487,645
Community Services Block Grant	93.569	04-1188	142,363
Liheap/HEAT	93.568	05-1413	236,518
Liheap/HEAT	93.568	04-1098	37,998
Department of Workforce Services			
Temporary Assistance for Needy Families - "Z"	93.558	01-6309	23,000
Temporary Assistance for Needy Families - EAZ	93.558	01-6309	119,751
Total Department of Health and Human Services			1,047,275
Department of Education			
Passed Through:			
Provo School District			
21st Century Community Learning Centers	84.287C	N/A	11,029
Gear-up	84.334A	N/A	13,521
Total Department of Education			24,550
Department of Housing and Urban Development:			
Special Needs Assistance Program	14.235	Various	219,325
Predatory Lending Counseling	14.169	HC03-0996-011	3,207
Predatory Lending Counseling	14.169	HC04-0896-019	6,683
Housing Counseling	14.169	HC04-0898-094	37,118
Housing Counseling	14.169	HC03-0898-117	12,500
Passed Through:			
City of Orem			
Community Development Block Grant	14.218	N/A	13,000
City of Provo			
Community Development Block Grant	14.218	N/A	12,316
Utah State Department of Community and Economic Development			
Emergency Shelter Grant	14.231	05-0366	18,000
Total Department of Housing and Urban Development			322,149
Department of Homeland Security			
Federal Emergency Management Agency:			
Passed Through:			
United Way of America			
Federal Emergency Management Food and Shelter - Utah County	97.024	23-852800-002	66,146
Federal Emergency Management Food and Shelter - Summit County	97.024	23-852200-001	2,061
Federal Emergency Management Food and Shelter - Summit County	97.024	22-852200-001	5,636
Federal Emergency Management Food and Shelter - Wasatch County	97.024	22-853400-001	6,199
Federal Emergency Management Food and Shelter - Wasatch County	97.024	23-853400-001	5,334
Total Federal Emergency Management Agency:			85,376
Department of Agriculture:			
Passed Through:			
Utah State Department of Human Services			
Temporary Emergency Food Assistance	10.568	T25FD01	9,410
USDA Commodities	10.569	T25FD01	214,938
Total Department of Agriculture:			224,348
Total Federal Awards			\$ 1,703,698

**COMMUNITY ACTION SERVICES
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005**

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

Revenues are recognized as increases in unrestricted net assets in the accounting period in which qualifying expenditures occur.

Expenditures are recognized in the accounting period in which the liability is incurred and measurable.

NOTE 2 – NON-CASH ASSISTANCE

The only federal program awards which were expended in the form of non-cash expenditures were the USDA Commodities totaling \$214,938.

**COMMUNITY ACTION SERVICES
SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2005**

None

McKELL BEETON & WINN

Certified Public Accountants

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Governing Board
Community Action Services
Provo, Utah

We have audited the financial statements of Community Action Services as of and for the year ended June 30, 2005, and have issued our report thereon dated February 7, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Community Action Services' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Community Action Services' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving internal control over financial reporting, which we have reported to management of Community Action Services in a separate letter dated February 7, 2006.

This report is intended solely for the information and use of the audit committee, management, board of directors, and federal award agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



McKell, Beeton & Winn
Certified Public Accountants

February 7, 2006

McKELL BEETON & WINN

Certified Public Accountants

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Governing Board
Community Action Services
Provo, Utah

We have audited the compliance of Community Action Services with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. Community Action Services' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the management of Community Action Services. Our responsibility is to express an opinion on Community Action Services' compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Community Action Services' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Community Action Services' compliance with those requirements.

In our opinion, Community Action Services complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

The management of Community Action Services is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Community Action Services' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulation, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Community Action Services
February 7, 2006
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This report is intended solely for the information and use of the audit committee, management, board of directors, and federal award agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



McKell, Beeton & Winn
Certified Public Accountants

February 7, 2006

**COMMUNITY ACTION SERVICES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2005**

SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Community Action Services for the year ended June 30, 2005.
2. No reportable conditions relating to the audit of the financial statements are reported in the auditor's report on compliance and on internal control over financial reporting.
3. No instances of noncompliance material to the financial statements of Community Action Services were disclosed during the audit.
4. No reportable conditions disclosed during the audit of the major federal award programs are reported in the report on compliance with requirements applicable to each major program and on internal control over compliance in accordance with OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs for Community Action Services expresses an unqualified opinion on all major federal programs.
6. No audit findings relative to the major federal award programs for Community Action Services are reported in this schedule.
7. The program tested as a major program was Community Services Block Grant (CFDA #93.569).
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Community Action Services was determined to be a low-risk auditee.

FINDINGS—FINANCIAL STATEMENT AUDIT

None

FINDINGS AND QUESTIONED COSTS—MAJOR FEDERAL AWARD PROGRAMS AUDIT

None